

1. Why was the Single Supervisory Mechanism (SSM) created?

- A) To increase taxes in the EU
 - B) Due to failures in decentralized supervision and incorrect implementation of EU law
 - C) To support small banks
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2. What was the main problem with the Single Rule Book before the SSM?

- A) It was never used
 - B) It was too strict
 - C) It was applied inconsistently in practice
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3. Which institution holds the main supervisory power in the SSM according to the ECJ?

- A) National banks
 - B) European Central Bank (ECB)
 - C) European Commission
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4. What is the main goal of the Single Resolution Mechanism (SRM)?

- A) To support exports
 - B) To centralize monetary policy
 - C) To ensure uniform bank crisis resolution
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5. What is a key issue for the Czech Republic in joining the Banking Union?

- A) Lack of banks
 - B) Transfer of decision-making about money to the EU level
 - C) Low interest rates
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6. Which institution in the Czech Republic is responsible for both supervision and resolution?

- A) Ministry of Finance
 - B) Czech National Bank
 - C) European Central Bank
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7. What is a key difference between the Czech Republic and Slovakia?

- A) Slovakia is not in the EU
 - B) The Czech Republic is in the eurozone
 - C) Slovakia is part of the Banking Union
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8. What is a potential liquidity risk if the Czech Republic joins the Banking Union?

- A) Higher inflation
 - B) Outflow of liquidity abroad
 - C) Investment bans
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9. Who decides on the compatibility of state aid in bank resolution?

- A) The ECB alone
 - B) The European Commission
 - C) National parliaments
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10. What is the main conclusion about the Czech Republic joining the Banking Union?

- A) It is legally impossible
- B) It is mainly an economic and political decision
- C) It is mandatory

1. What is the relationship between the ECB and national authorities within the SSM?

- A) National authorities act independently without ECB involvement
 - B) The ECB supervises only small institutions
 - C) National authorities support the ECB in a decentralized system
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2. Which factor does NOT determine whether a bank is considered significant under the SSM?

- A) Size of the institution
 - B) Political influence of the bank
 - C) Cross-border activities
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3. What competence does the ECB have regarding less significant institutions?

- A) No competence at all
 - B) Only advisory powers
 - C) It may assume direct supervision under certain conditions
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4. What is a key function of the Single Resolution Board (SRB)?

- A) Setting tax rates for banks
 - B) Overseeing and directing national resolution authorities
 - C) Managing monetary policy
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5. What is MREL in the context of banking resolution?

- A) A liquidity ratio for central banks

- B) A requirement related to loss-absorbing capacity of banks
 - C) A tax mechanism for cross-border transactions
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6. Why might the Czech Republic perceive the second pillar (SRM) as problematic?

- A) Because it eliminates all national banks
 - B) Due to transfer of resolution powers and potential financial risks
 - C) Because it increases domestic regulation only
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7. How does the ECB interact with countries outside the eurozone?

- A) It has full direct authority
 - B) It has no interaction
 - C) It acts indirectly through guidance and cooperation
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8. What role does the European Commission play in bank resolution cases involving state aid?

- A) It executes resolution decisions
 - B) It evaluates compatibility with EU state aid rules
 - C) It supervises all banks directly
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9. Why can the use of deposit guarantee funds sometimes be considered state aid?

- A) Because banks voluntarily contribute
 - B) Because such funds are always private
 - C) Because their use can be attributed to the state
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10. What is meant by the “principle of subsidiarity” in the context of banking supervision?

- A) All powers must remain at the EU level
 - B) Decisions should be taken at the most appropriate level (EU vs national)
 - C) Only national authorities can supervise banks
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Moot Court Problem: Banking Union vs National Sovereignty

Background

The European Central Bank (ECB), acting within the Single Supervisory Mechanism (SSM), has decided to **include a major Czech bank (a subsidiary of a large EU banking group)** into a cross-border liquidity subgroup.

As a result, the bank is required to **transfer part of its liquidity reserves to other entities within the group located in eurozone countries.**

The Czech National Bank (CNB) objects to this decision, arguing that it **undermines financial stability in the Czech Republic** and exceeds the ECB's competences, especially since the Czech Republic is **not a member of the Banking Union.**

Meanwhile, the European Commission supports the ECB's position, arguing that such measures are necessary for the **proper functioning of the internal market and financial stability in the EU.**

Parties

Team A – Applicant (Czech National Bank / Czech Republic)

Argues that:

- The ECB exceeded its competences under EU law
- The decision violates the **principle of subsidiarity**
- National authorities must retain control over **liquidity management in non-participating Member States**
- The measure threatens **national financial stability and sovereignty**

Team B – Defendant (ECB / European Commission)

Argues that:

- The ECB acted within its powers under the SSM framework
- Uniform supervision is necessary to prevent fragmentation
- The measure is justified to ensure **financial stability across the EU**
- The principle of subsidiarity is respected because of the integrated nature of banking groups

Legal Questions

1. Does the ECB have competence to impose such measures on banks in a non-eurozone Member State?
2. Does the inclusion of a bank in a cross-border liquidity subgroup violate the principle of subsidiarity?

3. To what extent can national authorities restrict EU-level supervisory decisions?
 4. Is there a conflict between **EU financial stability** and **national sovereignty**?
 5. Could such a measure indirectly lead to unlawful transfer of financial resources?
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Optional Twist (for advanced rounds)

During the proceedings, it is revealed that:

- The liquidity transferred was later used to support a failing bank in another Member State
 - The case raises potential issues of **state aid under Article 107 TFEU**
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Goal of the Moot Court

Students should argue:

- **Competence division (EU vs national level)**
- Interpretation of **SSM/SRM framework**
- Application of **subsidiarity and proportionality principles**
- Broader implications for **Banking Union integration**